

Report of the Directors

The Directors present their report and supplementary reports, together with the audited financial statements for the year ended 31 December 2004.

Activities and Business Review

Senior plc is a holding company. Its Principal Group Undertakings are shown on page 47 and comments on each Division's results and activities in 2004 are included in the Chief Executive's Review on pages 3 to 5.

Acquisitions and Disposals

Disposals during 2004 are reported in Note 25 to the Accounts. There were no acquisitions during the year.

Results and Dividends

The results for the year are shown in the Group Profit and Loss Account on page 22.

An interim dividend of 0.65p per share (2003 – 0.65p) has already been paid and the Directors recommend a final dividend of 1.35p per share (2003 – 1.35p). The final dividend, if approved, will be payable on 27 May 2005 to shareholders on the register at the close of business on 29 April 2005. This brings the total dividend for the year to 2.00p per share (2003 – 2.00p).

Share Capital

During 2004, 65,159 shares were allotted in respect of the Senior plc Savings Related Share Option Plan. A further 97,668 shares were allotted under the same Plan in January and February 2005. As at 31 December 2004 the issued share capital of the Company was 307,450,746 ordinary shares. Further details concerning share capital are given in Note 21 to the Accounts and on page 48.

Directors

The Directors who served during the year and their interests in the shares of the Company are included in the Report of the Directors – Remuneration Report on pages 11 to 15. None of the Directors has any interest in contracts with the Company or its subsidiary undertakings. M Clark and G R Menzies retire by rotation and, being eligible, offer themselves for re-election at the AGM. M Clark has no service agreement with the Company and G R Menzies has a service agreement subject to 12 months' notice by either party. R T Turner retired from the Board on 1 July 2004. G A Campbell was appointed to the Board on 1 July 2004. He retires in accordance with Article 82 and, being eligible, offers himself for election.

Research and Development

In 2004, the Group incurred £4.8m (2003 – £4.0m) on research and development, before recoveries from customers of £0.5m (2003 – £0.2m). The majority of the Group's efforts are devoted towards product development and improved manufacturing techniques.

Charitable and Political Donations

During the year the Group made charitable donations amounting to £22,000 (2003 – £17,000), principally to local charities serving the communities in which the Group operates. In addition to this amount, following the year-end, the Company made a donation of £20,000 to the Disasters Emergency Committee's Tsunami Earthquake Appeal. No political donations were made.

Policy on Payment of Creditors

The Group's policy is to settle the terms of payment with its suppliers when agreeing the terms of each transaction and to seek to adhere to those terms. Based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by suppliers, the number of days outstanding at the year-end was 37 days (2003 – 16 days). However, these figures are not considered indicative of the typical payment terms adhered to, which are estimated to be on average about 30 days.

Major Shareholdings

At 2 March 2005, the following shareholders had advised holdings in excess of 3% of the issued share capital of the Company:

Schroder Investment Management Limited	33,694,012	10.96%
Deutsche Asset Management Limited	13,706,031	4.46%
Morley Fund Management Limited	12,624,076	4.10%
HBOS plc	12,361,671	4.02%
Legal & General Investment Management Limited	12,137,206	3.94%
Hermes Pensions Management Limited	11,067,380	3.60%

So far as is known, no other shareholder had a notifiable interest amounting to 3% or more of the share capital of the Company and the Directors believe that the close company provisions of the Income and Corporation Taxes Act 1988 (as amended) do not apply to the Company.

Report of the Directors continued

Compliance with the 2003 FRC Code

Statements of compliance with the 2003 FRC Code and on internal controls are set out on page 20. For the purposes of the 2003 FRC Code, the Company is a "smaller company" and therefore is required to have at least two independent non-executive Directors. Excluding the Chairman, the Company had two independent non-executive Directors throughout the year.

Report of the Directors – Remuneration Report

The Company's policy on executive Directors' remuneration is set out in the Report of the Directors – Remuneration Report on pages 11 to 15. The Report of the Directors – Remuneration Report is to be put to shareholder vote at the Annual General Meeting on 15 April 2005.

Annual General Meeting

The Chairman's Letter and Notice of Meeting describe the business to be considered at the Annual General Meeting to be held on Friday 15 April 2005 at ABN Amro, 250 Bishopsgate, London EC2M 4AA at 11.30 am.

Going Concern

Having assessed the future funding requirements of the Group, the Directors are of the opinion that the Group has adequate financial resources to continue to operate for the foreseeable future and it is, therefore, appropriate for the Accounts to be prepared on a going concern basis.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Andrew Bodenham, Secretary
2 March 2005